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ACTION
January 20, 1970

MEMORANDUM FOR DR. KISSINGER

FROM: Viron P. Vaky

SUBJECT: Work-Plan for Latin American Policy

There are a number of reasons why we have not moved further than we have in elaborating dynamic, new programs for the hemisphere to implement the President's policy concepts:

- The intractable and highly complex nature of the subject matter with which we have to deal--development, economic policy, trade. Not much changes very quickly in these fields.
- The severity of the obstacles to new action, principally domestic political opposition to measures one might take, such as trade liberalization, and limited money, which in the final analysis we have to have for anything with great impact.
- The lack of imagination and creativity in the bureaucracy and resistance to change.

Within the limits of the first and second factors there should nevertheless be room for some creative measures and an overall program that would be both respectable and significant. Imaginative and creative programs might, conceivably, even make the problems which they are aimed at somewhat less intractable. Ultimately, a great deal depends upon the President's willingness to fight for money and to risk some domestic political problems (where these are involved) for the sake of effective and important foreign policy initiatives.

To meet the need for more energy and imagination in devising new initiatives, I propose the following work plan:

1. We have set up a "steering group" consisting essentially of Fred Bergsten's staff and mine, with the addition of some BOB personnel from the International Division.

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2. We have, first, tentatively outlined opportunities for new initiatives, e.g. IA-ECOSOC, Presidential letter, Inter-American Bank Board of Governors Meeting, General Action. Secondly, we are brainstorming and compiling a list of all possible measures and programs we can think of to carry out the President's ideas (including a reculling of the Rockefeller Report), and assessing their feasibility and practicality.

3. We will fit these ideas into the time-frame of possible opportunities, i.e. determine which we might try to do for IA-ECOSOC, the letter, etc., and we will determine what procedure we need to staff the ideas and bring them forward for decision or implementation. I attach our initial effort (which Arnie drew up) as a purely illustrative list.

4. Since most of these ideas are technical, the question of how to staff them is important. I see several tools we can use in that regard--do it ourselves where we have the competence; task the bureaucracy where this is indicated; use consultants, on contract or otherwise; seek voluntary services of individual or group advisors such as the Council on Latin America. We would propose to use all at one time or another.

5. I now have a small task force under Arnie at work full time to staff a memo to the President on IA-ECOSOC. From decisions that will come out of that we can use some for the President's letter.

6. We propose next week to review all the other proposals we have and initiate staffing on a series of them.

7. We plan to ask some outside consultants for additional ideas to add to our list.

RECOMMENDATION

That you approve our hiring of consultants, subject to the availability of money and your specific approval in each case as to identity and task.

Approve Disapprove

Attachment

Tab A - List of ideas

PROPOSAL

SUGGESTED ACTION

CAPITAL MARKETS

1. Undertake study of how U.S. can help Latin Americans establish national and regional capital markets, encourage local savings and investment--including devices to lure back L.A. capital outside the area.
2. Offer to provide high-level expert assistance where requested; offer training in U.S.

1. Advisory Council (e.g. Head of SEC, President of NYSE, Investment Bankers, Mutual Fund Specialists.)

Advisory Council

EXPORT PROMOTION

1. Assist in setting up export credit financing institutions--a la Ex-Im Bank in L.A. countries
2. Offer technical assistance of Ex-Im Bank
3. Assist in setting up credit mechanism to finance development, expansion of export industries, either new Ex-Im type institution or other

1. Task Force Staff Recommendation
2. Directive to President of Ex-Im Bank

1. Task Force Staff Recommendation
2. Directive to President of Ex-Im Bank

1. Consultant

BILATERAL AID - FY-70

1. Earmark \$50-100 million for new initiatives--capital markets, export promotion, strengthening multilateral framework, etc--from FY 70 aid

- a. Task Force Recommendation
- b. Directive to BOB/AID

PROPOSAL

SUGGESTED ACTION

2. Cite special new initiatives request
in FY-71 budget

URBAN DEVELOPMENT/ENVIRONMENTAL
IMPROVEMENT

- | | |
|--|--|
| 1. Include in any new President initiative on domestic environmental programs an offer to extend services of USG agencies to L.A. governments and regional agencies which work to apply or adopt such programs | a. Task Force Recommendation
b. Directive to agencies |
| 2. Propose technical level hemisphere (R.R.*) conference on system's approach to urban development and environmental | " |

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B. IA-ECOSOC

PROPOSAL

SUGGESTED ACTION

EXPORT PROMOTION

1. Assist LAs to set up trade association, marketing offices in U.S./Europe/Japan/LA--finance technical assistance

- a. Consultant--marketing specialists

MULTILATERAL FRAMEWORK

1. Offer grant to CIAP/IDB to build up staff, improve capabilities, establish field missions
2. Offer grant to CIAP/IDB for feasibility study - project development fund
3. Propose specific procedures for involving CIAP in AID program decision process

- a. Task Force Recommendation
- b. Directive to USDEL/AID

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DEBT SERVICE

1. Propose alternative action plan for joint action with inter-Amer. institutions (CIAP, IDB) to encourage IMF/IBRD, other creditors to study problem, establish criteria, recommend remedies
2. Offer to cooperate fully in effort and participate in remedies

- a. Task Force Recommendation
- b. Directive to IA/ECOSOC Del.

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PROPOSAL

IDB-IAFC

1. Offer to support IAFC if LAs wish to establish--possibly cite specific amount-range

TRADE STANDSTILL/A COMPENSATORY MECHANISM

1. Propose alternative standstill formulation and continue to study ways to devise compensatory mechanism

AID UNTYING

1. Authorize local currency conversions for Western Hemisphere aid

SUGGESTED ACTION

- a. Task Force Recommendation
- b. Directive to IA/ECOSOC Del/AID/Treasury

- a. Task Force Recommendation
- b. Directive to agencies re compensatory mechanism

- a. Task Force Recommendation

C. IDB BOARD OF GOVERNORS MEETING

PROPOSAL

SUGGESTED ACTION

IDB REPLENISHMENT

1. Offer substantial replenishment of IDB Ordinary Capital, including paid-in capital to reduce interest rate

- a. Task Force Recommendation
- b. Directive to the Secretaries of Treasury and State

IDB VETO

1. Offer to seek legislative changes to give up veto in FSO (eliminate 2/3 requirement)

- a. Task Force Recommendation
- b. Ask State/Treasury/AID for options paper for President

IDB-OTHER DONOR SUPPORT

1. Offer to provide incentive to encourage other donor participation/support for IDB--e.g. Canada, EEC, Japan

- a. Task Force Recommendation
- b. Directive to Treasury/STATE/AID to submit options paper

D. NEW PRESIDENTIAL INITIATIVES

PROPOSAL

SUGGESTED ACTION

HEALTH PROGRAMS

1. Propose and support a special large-scale pre-natal and post-natal nutrition and health program--through Inter-American System (PAHO) and/or drawing on existing social agencies in public and private sectors (possibly as part of more comprehensive effort to concentrate on early development of human resources.)

a. Advisors and/or consultants

2. Propose major initiative by PAHO/IDB to construct and improve potable water systems; offer to provide latest technology (e.g. plastic pipes, standardized plans to small communities, etc.); possibly special guarantee program for local community bonds

a. Consultant

HUMAN RESOURCE DEVELOPMENT

1. Offer to extend services of USG agencies which conduct domestic programs for human resource development, particularly those focussed on children, to those LA countries and regional organizations which wish to apply or adopt such programs (e.g. Head Start, Education, Job Corps.)

- a. Advisory Committee (including heads of domestic programs.
- b. Presidential directive to agencies.

PROPOSAL

SUGGESTED ACTION

INTEGRATION

1. Proposals for new initiatives by which US can assist and support L.A. integration

a. Consultant (e.g. Kindleberger)

EXPORT PROMOTION/INTEGRATION

1. Assist in establishing payments arrangements for intra-regional trade - financial and technical assistance
2. Assist in facilitating transportation within region -- e.g. roads, rivers, air -- financial and technical assistance

a. Consultant

a. Consultant

HICKENLOOPER

1. Propose modification of mandatory provision of Hickenlooper Amendment

a. Task Force Recommendation

INITIATIVES IN COMMODITY FIELD

1. Propose new initiatives in commodity field--including supplementary financing
2. Offer U.S. support--financial and technical aid

a. Advisors and/or
☐ Consultants

a. Advisors and/or
☐ Consultants

PRIVATE INVESTMENT (R.R.*)

1. Following study of USG role in protection of private investment, propose special conference/meeting (possibly CIAP) to set forth US posture and suggest regional or

a. Task Force Recommendation

PROPOSAL

SUGGESTED ACTION

national "rules of game" to
(a) assure more predictable
climate for investors (b) have
mutual understanding to mini-
mize future conflict

2. Assist or encourage US firms to
make arrangements for local equity
participation, as in Anaconda-
Mexico case

a. Advisors (Council for Latin America)

PRIVATE INVESTMENT - TAX POLICY (R.R.*)

1. Propose tax policies to provide incen-
tives for private investment to
-- go to high risk/high development
areas
-- go to less developed countries
-- participate in joint ventures,
minority participation, phase-
out operations

a. Progress report on tax- sparing in treaties
b. Consultants

PRIVATE INVESTMENT-CONTRACT
MECHANISMS (R.R.*)

1. Develop proposals for use of contract
mechanisms to attract investors to
high risk, high development potential
ventures--either through OPIC or new
IAFC

a. Consultant

LOCAL PRIVATE ENTERPRISE (R.R.*)

1. Establish special program for devel-
opment and training of L. A. entrepren-
eurs, managers through OPIC, private
US companies (CLA) or other means
to be carried out within LA and US

a. Contulant (e.g. Harvard Business)
b. Status ; Report

PROPOSAL

SUGGESTED ACTION

DIVISION OF LABOR (R.R.*)

1. Propose conference on hemisphere division of labor--to develop long-term forecasts and analysis to help hemisphere nations plan for trade, investment opportunities problems in the future

a. Advisors

IMPORT QUOTAS (R.R.*)

1. Propose ways in which LAs--or all LDCs--can be assured of increased share of growth in US imports of basic commodities

a. Consultants

OAS TECHNICAL ASSISTANCE (R.R.*)

1. Propose steps--and offer support--to strengthen and improve effectiveness of OAS Technical Assistance Program in areas which complement rather than duplicate other T.C. programs

a. Task Force Recommendation

b. Directive and status report from State

RURAL DEVELOPMENT (R.R.*)

1. Propose and support expansion of LA rural development efforts through regional agricultural demonstration programs (centers) covering whole range of production processing, marketing services, facilities

a. Advisors

b. Progress report from State/AID

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PROPOSAL

SUGGESTED ACTION

CULTURE/COMMUNICATIONS (R.R.*)

1. Propose new initiatives, programs to give evidence--symbolic and substantive--of US desire for better communications and understand with nations of LA. Possible options are (a) high-level conferences with behavioral science approach to US-Latin problems (b) use of communications satellite for increased radio/TV exchanges (c) new and/or expanded exchange programs--educational/cultural/media (d) large scale low-cost exchange program (e) finance special LA cultural "year" in US e.g. sponsor LA art/music exposition in US

a. Advisors

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E. OTHER

PROPOSAL

SUGGESTED ACTION

LABOR (R. R. *)

1. Increase support for worker education and vocational training in L. A.

a. Status report from State/AID

SECURITY

1. Proposal or actions to strengthen Inter-American bodies concerned with hemisphere security affairs.

a. Progress report from State

HEALTH PROGRAMS (R. R. *)

1. Provide greater opportunity for US health professions to study tropical medicine in LA.

a. Progress report HEW/State/AID

2. Support WHO and PAHO as prime instruments for US effort in improving health in Western Hemisphere

a. Status report State/AID/HEW

CONSERVATION (RR*)

1. Propose an OAS multilateral conservation program

a. Status report from State

AID CONDITIONS

1. Review onerous conditions and restrictions on US aid with object of modifying or eliminating them

a. Status report from State/AID

*R. R. indicates Rockefeller Report Recommendation

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